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DIRECT TESTIMONY
OF
JAMES M. HERRITAGE
ON BEHALF OF
SOUTH CAROLINA MERCHANTS ASSOCIATION
DOCKET NO. 2002-223-E

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
RELATIONSHIP WITH THE SOUTH CAROLINA MERCHANTS
ASSOCIATION.**

A. My name is James M. Herritage. I am President of Energy Auditors, Inc. My business address is 1161 Parkway Drive, Mount Pleasant, South Carolina 29464. Piggly Wiggly Carolina Company, Inc. (hereinafter “Piggly Wiggly Carolina”) has retained me to provide energy-consulting services on behalf of their stores across South Carolina and Georgia. Piggly Wiggly Carolina is a member company of the South Couth Carolina Merchants Association.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
PROFESSIONAL EXPERIENCE.**

A. In 1972, I graduated from the Citadel with a Bachelor of Arts in English. I have practiced as an energy consultant since 1981. I earned the Certified Energy Manager designation in 1987. I earned the Certified Energy Procurement Professional designation in 2000. The Association of Energy Engineers, Atlanta, Georgia, awarded both designations.

1 **Q. HOW LONG HAVE YOU BEEN A MEMBER OF THE SOUTH CAROLINA**
2 **ENERGY ADVISORY COMMITTEE?**

3 A. I have served on the South Carolina Energy Advisory Committee since its inception
4 in 1993. Prior, I served on the Joint Legislative Energy Advisory Committee.

5 **Q. HOW LONG HAVE YOU ADVISED PIGGLY WIGGLY CAROLINA ON**
6 **ENERGY ISSUES?**

7 A. I have served as Energy Manager to Piggly Wiggly Carolina Company, Inc. since
8 1989.

9 **Q. HAVE YOU ALSO WORKED AS AN INSTRUCTOR ON ENERGY**
10 **RELATED ISSUES?**

11 A. Yes. I have served over the years as an energy educator for numerous clients
12 including SCE&G and Carolina Power & Light. In fact, I conducted technical
13 training for SCE&G's industrial representatives this past September.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15A. I will describe Piggly Wiggly Carolina's experience with SCE&G's Rate 21 over a
16 year-long test.

17 **Q. HOW MANY STORES DOES PIGGLY WIGGLY CAROLINA OWN IN**
18 **SOUTH CAROLINA? HOW MANY OF THESE STORES PURCHASE**
19 **ELECTRIC ENERGY FROM SCE&G?**

20 A. In South Carolina, Piggly Wiggly Carolina owns 72 grocery stores with 38 receiving
21 service from SCE&G.

22 **Q. HOW MANY EMPLOYEES ARE EMPLOYED BY PIGGLY WIGGLY IN**
23 **SOUTH CAROLINA?**

24 A. Piggly Wiggly Carolina employs approximately 4,900 persons in South Carolina.

1 **Q. HOW MUCH ELECTRIC ENERGY IS PURCHASED BY THESE GROCERY**
2 **STORES ACROSS SOUTH CAROLINA?**

3 A. Piggly Wiggly Carolina's South Carolina stores use in excess of 115 million kWh of
4 electric energy annually.

5 **Q. WHAT IS THE PURPOSE OF A TIME-OF-USE RATE?**

6 A. The purpose of a time-of-use rate should be to encourage less usage during the energy
7 provider's peak operating times. This, in turn, helps reduce the need for new electric
8 generating capacity which helps hold down electric rates for all customers. Electric
9 utilities develop this rate structure as an incentive for customers to become more
10 energy efficient. Unfortunately, SCE&G's Rate 21 does not provide, nor does
11 SCE&G propose in its rate increase, such incentives for good high load customers
12 like grocery stores.

13 **Q. DESCRIBE PIGGLY WIGGLY'S EXPERIENCE WITH THE SCE&G RATE**
14 **21 –GENERAL SERVICE TIME OF USE DEMAND RATE.**

15 A. In March 2000, I asked SCE&G to evaluate Piggly Wiggly Carolina's store accounts
16 to determine the best available electric rate for these stores. SCE&G performed the
17 "Best Rate" analyses that indicated Piggly Wiggly Carolina could average electric
18 cost savings of approximately 2.9% per store by moving from the Rate 20 Medium
19 General Service to Rate 21, General Service Time of Use Demand Rate. SCE&G
20 indicated that Rate 21 is designed to be revenue neutral for typical mid-sized
21 commercial customers but that food stores should benefit due to their large
22 refrigeration loads that operate 24 hours a day, 365 days a year.

1 **Q. DID PIGGLY WIGGLY AGREE TO MOVE ALL OF THEIR ACCOUNTS**
2 **FROM SCE&G RATE 20 TO RATE 21? IF SO, UNDER WHAT TERMS AND**
3 **CONDITIONS?**

4 A. Based on the store-by-store analysis provided by SCE&G, Piggly Wiggly agreed to
5 move all of their store accounts to Rate 21 for a test period of one year, beginning
6 October 2000. Piggly Wiggly and SCE&G agreed that at the end of the test year, if
7 any stores ended up paying more for energy on Rate 21, they could return to Rate 20
8 and receive a full refund for the difference in the two rates.

9 **Q. HOW DID THE PIGGLY WIGGLY STORES FARE ON RATE 21 DURING**
10 **THE TEST YEAR?**

11 A. At the end of the one-year test period, SCE&G determined that *every store's* energy
12 cost increased on Rate 21, even stores that were open 24 hours a day. In fact, rather
13 than obtaining the projected average cost savings of 2.9%, Piggly Wiggly Carolina's
14 electricity costs increased approximately 4% over what it would have been on Rate
15 20 during the same time period. SCE&G refunded to Piggly Wiggly Carolina the
16 difference in costs paid due to the stores operating on Rate 21 during the test period.
17 All stores were moved back to Rate 20. A spreadsheet detailing the savings projected
18 by SCE&G's store-by-store "Best Rate" analysis as well as the actual cost during the
19 test period accompanies this testimony and is attached hereto as Exhibit No. ____
20 (JMH-1).

21 **Q. WHY DO YOU BELIEVE RATE 21 DID NOT GENERATE THE SAVINGS**
22 **PROJECTED BY SCE&G?**

23 A. Rate 21 has design flaws. SCE&G's claim that it is "revenue neutral" is not accurate.
24 If thirty-five food stores (some of which are open 24 hours per day) paid an average

1 increase of 4.0% on Rate 21, typical mid-sized commercial accounts would fare even
2 worse. Customers with high load factors such as grocery stores should benefit from a
3 time of use rate, not suffer higher costs. SCE&G's projection of Rate 21's effect on
4 good load factor customers was flawed.

5 **Q. HOW DOES RATE 21 AFFECT MID-SIZED, "GOOD LOAD FACTOR"**
6 **COMMERCIAL CUSTOMERS?**

7 A. Our experience indicates that SCE&G's design of Rate 21 currently discourages mid-
8 sized, "good load factor" commercial customers from switching to a time-of-use rate.
9 And because these customers then have diminished incentive to manage "on-peak"
10 usage, SCE&G's system-wide "on-peak" demands are higher than they should be,
11 which contributes to the premature need for costly new generating capacity. In fact,
12 SCE&G's witness, James Landreth provided testimony that SCE&G is experiencing a
13 peak demand growth of about 2.4% per year. Ironically, SCE&G's poor design of
14 Rate 21 may very well be contributing to peak demand growth.

15 **Q. DO OTHER ELECTRIC UTILITIES SERVING SOUTH CAROLINA HAVE**
16 **ATTRACTIVE TIME-OF-USE RATES?**

17 A. Yes, other investor-owned utilities in South Carolina, including CP&L and Duke
18 Power, offer time-of-use rates that are attractive alternatives for customers who can
19 reduce on-peak usage. These utilities have established creative pricing mechanisms
20 to ensure the rates are priced based upon how the customers used it. I recommend the
21 Public Service Commission require SCE&G to develop such a rate.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 A. Yes, it does.

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